

Atlas Minerals
Division of Atlas Corporation

743 Horizon Court
Suite 202
Grand Junction, Colorado 81506
Telephone: (303) 243-5800

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DIVISION OF
OIL, GAS & MINING

November 4, 1986

Division of Oil, Gas & Mining
Utah Department of Natural Resources
355 W. North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

Attention: Ms. Pamela Grubaugh-Littig
Reclamation Engineer

Re: Updated Financial
Information

Dear Ms. Grubaugh-Littig:

Enclosed with this letter is the 10-K report for Atlas Corporation, as required by our Mined Land Reclamation Contract.

This report, which includes the annual report, covers the fiscal year of July 1, 1985 to June 30, 1986.

Please contact me at your convenience if you have any questions.

Sincerely,



Richard E. Blubaugh
Regulatory Affairs
Manager

REB:bjg
enc.

cc: R. T. Exby, w/o enc.

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SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

DIVISION OF
OIL, GAS & MINING

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended June 30, 1986 Commission file number 1-2714

ATLAS CORPORATION

(Exact name of registrant as specified
in its charter)

DELAWARE

State or other jurisdiction of
incorporation or organization)

13-5503312

(I.R.S. Employer
Identification No.)

353 Nassau Street, Princeton, New Jersey
(Address of principal executive offices)

08540

(Zip Code)

Registrant's telephone number, including area code: (609) 921-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange
on which registered

Common Stock, par value \$1 per share

New York Stock Exchange

Option Warrants to Purchase Common Stock

American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark whether the registrant (1) has
filed all reports required to be filed by Section 13 or 15(d)
of the Securities Exchange Act of 1934 during the preceding
12 months and (2) has been subject to such filing requirements
for the past 90 days. Yes X No

Aggregate market value of the voting stock held by non-
affiliates of the registrant at September 2, 1986:
approximately \$38,486,000.

Number of shares outstanding of each of the registrant's
classes of common stock as of September 2, 1986:

Common Stock, par value \$1 per share -- 2,960,488 shares

DOCUMENTS INCORPORATED BY REFERENCE

- (1) Atlas Corporation 1986 Annual Report to Stockholders for fiscal year ended June 30, 1986 - Parts I and II*
- (2) Atlas Corporation Proxy Statement for Annual Meeting of Stockholders to be held on November 5, 1986 (to be filed on or about September 30, 1986) - Part III*

* Only those sections of the Annual Report to Stockholders and Proxy Statement which are specifically incorporated by reference herein are deemed "filed" with the Securities and Exchange Commission as part of this annual report on Form 10-K.

PART I

Item 1. Business.

General

Atlas Corporation (the "Company") is engaged principally in the natural resources, shoe parts, building products and service businesses. The Company also is engaged in the manufacture of small plastic and metal parts used in the aircraft, automotive and other industries. See "Other" under "Item 1. Business."

Information with respect to the Company's industry segments for the fiscal years ended June 30, 1986, 1985 and 1984 is set forth in Note 8 to the Consolidated Financial Statements of the Company and its subsidiaries included in the Company's 1986 Annual Report to Stockholders, which Note is incorporated herein by reference.

Natural Resources

The Company conducts its natural resources business through its Minerals Division. In prior years the principal activity of the Minerals Division has been the sale of uranium in concentrate ("yellow cake") and vanadium pentoxide produced by the processing of ores of the Division and ores purchased from others in the Division's processing mill located near Moab, Utah. Vanadium is used mainly as an alloy with steel to increase hardness. As indicated below, this activity of the Division is currently on a stand-by basis pending improvement in the market for yellow cake. The Division also explores for precious metals and, as described below, is planning commercial production and sale of gold from one of its properties during 1987. A wholly owned subsidiary, Atlas Precious Metals Inc., headquartered in Reno, Nevada, conducts the Company's precious metals exploration activities.

The revenues from the sale of the Division's products in each of the last three fiscal years are set forth in the following table:

<u>Year Ended June 30</u>	<u>Revenues</u>	
	<u>Yellow cake</u>	<u>Vanadium Pentoxide</u>
1984	\$ 5,933,000	\$6,557,000
1985	3,780,000	2,488,000
1986	11,639,000	-0-

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in the Company's 1986 Annual Report to Stockholders, which information is incorporated herein by reference, for a discussion of the reasons for the changes in revenues set forth above.

The Division's Moab mill has a rated capacity of 1,250 tons of ore per day, of which 500 tons are related to an alkaline circuit which has not been operated since January 1982. In April 1984, operations at the Division's mill were placed on a stand-by basis pending improvement in the market for uranium in concentrate. The Division's primary sources of ore are owned and leased mines in the Big Indian District, Green River District, Uravan Minerals Belt and Red Canyon and White Canyon areas of Utah and Colorado, and contract shippers and independent ore producers located near Moab, Utah. The Company also has a significant interest in uranium properties in Garfield County, Utah (the "Farley Properties") containing substantial proven reserves of uranium and vanadium-bearing ore.

For information concerning mineral reserves and sales prices of yellow cake and vanadium pentoxide, see Note 10 to the Consolidated Financial Statements of the Company and its subsidiaries included in the Company's 1986 Annual Report to Stockholders, which Note is incorporated herein by reference.

The Division actively explores for precious metals such as gold and silver and to a lesser degree other mineral bearing ores, including those containing uranium and vanadium. During fiscal 1986, the Division employed eleven full-time professionals and spent a total of \$2,075,000 in connection with its precious metals exploration activities.

Capital expenditures relating to the production and sale of yellow cake and vanadium pentoxide over the next three fiscal years will depend principally on the Division's actual and anticipated production levels and the timing of development of the Farley Properties. The Division's yellow cake production levels generally vary according to the Division's ability to obtain future sales contracts for yellow cake and vanadium pentoxide. The Company expects to make minimal capital expenditures while the Company's Moab mill is on a stand-by basis. Larger capital expenditures will be made if production levels resume and, particularly, if the Company implements plans for mining and processing ore located on the Farley Properties. The estimated annual cost to maintain the uranium-vanadium operations on a stand-by basis is \$2,500,000. The Company estimates that under current conditions it will not be required to make significant capital expenditures during the next two fiscal years relating to compliance by the Moab mill and its related operations with applicable laws and

regulations concerning the protection of the environment. See Note 1 to the Consolidated Financial Statements of the Company and its subsidiaries included in the Company's 1986 Annual Report to Stockholders, which Note is incorporated herein by reference, for information relating to the reclamation of the Moab mill tailings pond. Development of the Farley Properties will require external financing. The Company believes that it will be able to meet all presently foreseeable capital requirements of its other uranium operations with internally generated funds.

The principal present market for yellow cake is the electric utility industry. At present the Division has one contract with an electric utility company. As of June 30, 1986, deliveries to be made under that contract amounted to 435,000 pounds of yellow cake. The Division has in inventory enough yellow cake to fulfill its obligations under that contract. As of June 30, 1986, the Company had no other contracts to sell yellow cake and no inventory of or contracts to sell vanadium pentoxide.

During 1984 the Division discovered gold-bearing ore on its Gold Bar property. The Division's right to the properties on which the discovery was made is derived mainly through unpatented lode mining claims and mill site claims located on public domain lands. Except for one small area which is not included in the area containing the present discovery, there are no outstanding royalties or other interests on these properties. The Gold Bar property is located on the southwest slope of the Roberts Mountains in east-central Nevada in Eureka County. The project site is reached by traveling 17 miles northeast along the Eureka County Three Bars Road, which is 22 miles west of Eureka, Nevada, on U.S. Highway No. 50. The plant site elevation is 6,440 feet above sea level, and the mine site average elevation before mining is 6,475. The Gold Bar deposit is located in gently dipping bedded limestone sediments on the southwestern flank of the Roberts Mountains. The ore is largely oxidized, however, portions are unoxidized and contain fine-grained pyrite and carbon. The following table contains information concerning proven reserves on the Gold Bar property as at June 30, 1986:

Reserves - Proven

	<u>Tons (000s)</u>	<u>Grade (oz/T)</u>
Oxide	2,310	.104
Carbonaceous	<u>318</u>	.198
Total	2,628 =====	.115
Mill Recovery	95% oxide, 80% carbonaceous	
Mining Dilution	10% additional tons at .001 ounces/ton	

Drill data from 305 drill holes was used in calculating the mineral inventory, and 54 condemnation drill holes were drilled to finalize plant site location. The cutoff grade used for mining reserve calculations was 0.03 ounces per ton, and the market price for gold used in all feasibility studies was \$300 per ounce.

Commercial production and sale of gold from ore located on the Gold Bar property is planned for 1987. The Company has obtained the external financing required to achieve production, and construction of the mill and development of the mine commenced in April 1986. The Company believes that the ore can be mined and processed profitably at a price of approximately \$250 per ounce of gold. The Company owns or controls approximately 42,000 acres of land surrounding the area of the existing Gold Bar discovery, and the Division is exploring for other gold-bearing deposits on this acreage.

The Division has numerous competitors, many of which have much greater financial and other resources than the Company. The principal methods of competition in the sale of yellow cake are price and the ability to deliver yellow cake at the time it is needed by a customer. The Division believes that it can promptly sell at market prices all of the gold the Division can produce for either present or future delivery.

The Division currently employs approximately 60 people and considers its relations with its employees satisfactory.

Shoe Parts

The Company's shoe parts business is conducted through its Brockton Sole & Plastics Division, which produces and sells polyethylene, polypropylene, nylon, leather, fiber and rubber products used principally in the manufacture of shoes. The revenues from the sale of the Division's products in each of the last three fiscal years are set forth in the following table:

<u>Year Ended June 30</u>	<u>Revenues</u>
1984	\$13,194,000
1985	11,116,000
1986	9,742,000

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in the Company's 1986 Annual Report to Stockholders, which information is incorporated herein by reference, for a discussion of the reasons for the changes in revenues set forth above.

The Division has a number of competitors, several of which have greater financial and other resources than the Division. Price is the principal method of competition in the shoe parts industry, but service and the ability to design and produce new products are also competitive factors. The raw materials used in the manufacture of the Division's products are available from a number of suppliers.

The Division employs approximately 180 people and considers its relations with its employees satisfactory.

Building Products

The Company's building products business is conducted through its Atlas Building Systems Division, which produces and sells precast concrete, prestressed concrete systems, central mixed concrete and masonry building supplies. The Division sells its products through nine commissioned and salaried salesmen. During fiscal 1986 sales to no one customer exceeded 7% of the Division's total sales, and sales to the Division's five largest customers aggregated approximately 18% of its total sales.

The revenues from the sale of the Division's products in each of the last three fiscal years are set forth in the following table:

<u>Year Ended June 30</u>	<u>Revenues</u>
1984	\$15,520,000
1985	19,230,000
1986	23,059,000

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in the Company's 1986 Annual Report to Stockholders, which information is incorporated herein by reference, for a discussion of the reasons for the changes in revenues set forth above.

The construction industry is highly seasonal and, accordingly, sales of the Division normally decline during the winter months. Of the \$23,059,000 in sales during fiscal 1986, approximately 60% were sales of precast and prestressed concrete, 35% were sales of central mixed concrete and 5% were sales of masonry building supplies.

The Division has numerous competitors in the sale of all of its products, the competitive factors being price, quality and service.

The Division employs approximately 200 people and considers its relations with its employees satisfactory.

Services

The service activities of the Company are conducted through its International Atlas Services Division. The Division owns a 55% interest in, and is the manager of, Global Associates ("Global"), a joint venture with Owl Constructors.

Global has provided "life support" services to a number of international and domestic customers, including various United States Government agencies, foreign governments and major industrial firms.

Life support services provided by Global include facility operations and maintenance, utility systems operation and maintenance, food service, housing administration and maintenance, recreation services, material procurement, traffic management, inventory control, transportation services (ground, air and marine), fire protection, security, medical and dental services, retail sales operations and various related consulting services.

Global's current major clients include the United States Army and Navy.

During fiscal 1985 Global sold its interests in a Saudi Arabian partnership, whose operations were conducted under the name of TAFGA.

In August 1982, a major contract between Global and the United States Army at the Kwajalein Missile Range in the Marshall Islands was renewed for a period of three years, with two additional one-year options exercisable by the United States Army. In February 1985, the Army exercised both options, and the contract now expires September 30, 1987. Global intends to compete for a renewal of that contract.

The Division has numerous competitors, some of which have much greater financial and other resources than the Division. Price is the major competitive factor, and many contracts on which the Division bids are awarded pursuant to competitive bid procedures. Technical expertise, quality of performance and the reputation of a bidder also are factors in the award of such contracts.

The Division employs approximately 2,100 people and considers its relations with its employees satisfactory.

Other

The remaining commercial operations of the Company are conducted through the Western Sky Industries Division, which manufactures and sells (i) plastic bushings and grommets used in the aircraft, automotive, agricultural, appliance, electronic and industrial equipment industries, (ii) a specialized line of metal fasteners and fittings used in the aircraft, aerospace and electronics industries and (iii) custom plastic parts for aircraft, dental, industrial and other uses. The Division has many competitors whose facilities can manufacture products similar to those produced by the Division. The principal methods of competition are price, service and the ability to design and produce new products. The Division employs 14 people and considers its relations with its employees satisfactory.

The operations of the Division are not deemed significant and, accordingly, are not segregated as a reportable industry segment.

Item 2. Properties.

The following is a summary of the location and general character of the Company's materially important properties.

Natural Resources

The Minerals Division's uranium-vanadium processing mill is located approximately four miles from Moab, Utah, on Company-owned land. For information concerning the Division's sources of uranium and vanadium and its gold ore-bearing properties, see "Natural Resources" under "Item 1. Business."

Shoe Parts

The Brockton Sole & Plastics Division operates in two Company-owned plants in Brockton, Massachusetts, one of which contains approximately 100,000 square feet of manufacturing and office space located on five acres of land, with two silos which are used for bulk raw material storage. The other plant contains approximately 30,000 square feet of manufacturing space. The Division also leases from the City of Winchester, Tennessee, a plant located on 35 acres of land and containing approximately 60,000 square feet of floor space.

Building Products

The Atlas Building Systems Division conducts its principal operations at three Company-owned sites, which include 29.3 acres of land in Voorhees Township, New Jersey, on which are located its precast and prestressed concrete plants, support facilities and a one-story headquarters office building containing approximately 10,000 square feet of office space, and 6.4 acres of land in Camden, New Jersey, on which is located a central mixing concrete plant, garage and customer service department. In addition, the Division owns 45.9 acres of commercially zoned land in Glassboro Borough, New Jersey.

Services

Global leases office space of approximately 14,100 square feet in Oakland, California, and approximately 1,900 square feet in Honolulu, Hawaii.

Other

The Company owns a 7,800-square-foot office building in Princeton, New Jersey, which is used as the Company's corporate headquarters. The Western Sky Industries Division operates in a Company-owned plant in Hayward, California, which contains approximately 27,500 square feet of manufacturing and office space located on 1.75 acres of land.

Item. 3 Legal Proceedings.

Inapplicable.

Item 4. Submission of Matters to a Vote of Security Holders.

Inapplicable.

Item 4a. Executive Officers of the Company.

The table below includes certain information with respect to the executive officers of the Company.

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Number of Years in this Position</u>
Edward R. Farley, Jr.	Chairman of the Board, and until October 1, 1986 President	67	21
Richard R. Weaver	President, effective October 1, 1986, Executive Vice Presi- dent until October 1, 1986, and President of the Minerals Division	51	*
John M. Devaney	Vice President-Finance, Treasurer and Assistant Secretary	57	4**
Edgar M. Masinter	Secretary	55	20

Mr. Masinter is an attorney whose professional corporation is a partner of Simpson Thacher & Bartlett, general counsel to the Company.

There are no family relationships between any of the executive officers, and there are no arrangements or understandings between any of the executive officers and any other person pursuant to which any of such officers was selected.

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- * Mr. Weaver was appointed President of the Company effective October 1, 1986 and Executive Vice President of the Company effective September 1, 1985. He has been President of the Minerals Division of the Company since July 1980.
- ** Mr. Devaney was appointed Vice President-Finance of the Company on August 4, 1982. He has been the Treasurer of the Company since January 1981 and Assistant Secretary since 1973. He was Controller of the Company from November 1977 to January 1981 and Assistant Treasurer from 1973 to November 1977.

PART II

Item 5. Market for the Company's Common Stock and Related Stockholder Matters.

The information called for by this Item is set forth under the caption "Market Information and Dividends" in the Company's 1986 Annual Report to Stockholders and is incorporated herein by reference.

Item 6. Selected Financial Data.

The information called for by this Item is set forth under the caption "Five-Year Selected Financial Data" in the Company's 1986 Annual Report to Stockholders and is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information called for by this Item is set forth under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 1986 Annual Report to Stockholders and is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data.

The information called for by this Item is contained on pages 4 through 13 of the Company's 1986 Annual Report to Stockholders and is incorporated herein by reference.

Item 9. Disagreements on Accounting and Financial Disclosure.

Inapplicable.

PART III

Item 10. Directors and Executive Officers of the Company.

The information called for by this Item with respect to the Company's directors is set forth under the caption "Election of Directors" in the Company's Proxy Statement for its 1986 annual meeting of stockholders. Such information is incorporated herein by reference.

The information regarding executive officers is included under Item 4a in Part I of this annual report on Form 10-K.

Item 11. Executive Compensation.

The information called for by this Item is set forth under the captions "Executive Compensation" and "Stock Options" in the Company's Proxy Statement for its 1986 annual meeting of stockholders. Such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information called for by this Item is set forth under the captions "Principal Holders of Voting Stock" and "Election of Directors" in the Company's Proxy Statement for its 1986 annual meeting of stockholders. Such information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

Inapplicable.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) (1) Financial Statements:

See Index to Financial Statements and Schedules on page F-1.

(2) Financial Statement Schedules:

See Index to Financial Statements and Schedules on page F-1.

(3) Exhibits:

- 3.1 Certificate of Incorporation of the Company, as amended (filed as Exhibit 3.1 to the Company's annual report on Form 10-K for the fiscal year ended June 30, 1981 and incorporated herein by reference)
- 3.2 Bylaws of the Company, as amended (filed as Exhibit 3.2 to the Company's annual report on Form 10-K for the fiscal year ended June 30, 1985 and incorporated herein by reference)
- 4 Credit Agreement dated April 17, 1986 among Atlas Gold Mining Inc. (a wholly owned subsidiary), the Company and Bank of America National Trust and Savings Association (filed as Exhibit 4 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 1986 and incorporated herein by reference)
- 10.1 Atlas Corporation Management Incentive Compensation Plan (filed as Exhibit 10.2 to the Company's annual report on Form 10-K for the fiscal year ended June 30, 1981 and incorporated herein by reference)

- 10.2 Atlas Corporation 1979 Key Employee Stock Incentive Plan (filed as Exhibit 10.3 to the Company's annual report on Form 10-K for the fiscal year ended June 30, 1981 and incorporated herein by reference)
- 10.3 Supplemental Pension Agreement dated as of December 31, 1978 between the Company and Walter G. Clinchy (filed as Exhibit 10.7 to the Company's annual report on Form 10-K for the fiscal year ended June 30, 1981 and incorporated herein by reference)
- 10.4 Amendment dated as of March 26, 1981 to Supplemental Pension Agreement between the Company and Walter G. Clinchy (filed as Exhibit 10.8 to the Company's annual report on Form 10-K for the fiscal year ended June 30, 1981 and incorporated herein by reference)
- 10.5 Amendment dated as of February 8, 1983 to Supplemental Pension Agreement between the Company and Walter G. Clinchy (filed as Exhibit 10.8 to the Company's annual report on Form 10-K for the fiscal year ended June 30, 1983 and incorporated herein by reference)
- 10.6 Employment and Consulting Agreement dated as of December 1, 1982 between the Company and Edward R. Farley, Jr. (filed as Exhibit 10.9 to the Company's annual report on Form 10-K for the fiscal year ended June 30, 1983 and incorporated herein by reference)
- 10.7 Amendment dated as of October 1, 1985 to Employment and Consulting Agreement dated December 1, 1982 between the Company and Edward R. Farley, Jr.

- 10.8 Supplemental Pension Agreement dated as of January 1, 1983 between the Company and Edward R. Farley, Jr. (filed as Exhibit 10.10 to the Company's annual report on Form 10-K for the fiscal year ended June 30, 1983 and incorporated herein by reference)
- 10.9 Amendment dated as of October 1, 1985 to Supplemental Pension Agreement dated January 1, 1983 between the Company and Edward R. Farley, Jr.
- 10.10 Employment Agreement dated as of July 1, 1986 between the Company and Richard R. Weaver
- 10.11 Agreement dated as of December 22, 1983 between the Company and Public Service Electric & Gas Company (filed as Exhibit 10.14 to the Company's annual report on Form 10-K for the fiscal year ended June 30, 1984 and incorporated herein by reference)
- 13 1986 Annual Report to Stockholders
- 22 Subsidiaries of the Company
- 24 Consent of Independent Auditors

(b) Reports on Form 8-K:

No reports on Form 8-K were filed by the Company during the last quarter of the fiscal year ended June 30, 1986.

Note concerning Exhibits: The Company will furnish copies of Exhibits to security holders of the Company upon request. The Company may charge a fee in connection with such a request, which will be limited to the Company's reasonable expenses in furnishing any such Exhibit.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ATLAS CORPORATION

By: EDWARD R. FARLEY, JR.
Edward R. Farley, Jr.
(Chairman of the Board
and President)

Date: September 25, 1986

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

<u>EDWARD R. FARLEY, JR.</u> Edward R. Farley, Jr.	Chairman of the Board and President (principal executive officer)	September 25, 1986
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<u>JOHN M. DEVANEY</u> John M. Devaney	Vice President- Finance and Treasurer (principal financial and accounting officer)	September 25, 1986
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<u>MICHAEL BONGIOVANNI</u> Michael Bongiovanni	Director	September 25, 1986
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<u>WALTER G. CLINCHY</u> Walter G. Clinchy	Director	September 25, 1986
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ANDREW DAVLIN, JR.
Andrew Davlin, Jr.

Director

September 25, 1986

John J. Dwyer

Director

September , 1986

EDGAR M. MASINTER
Edgar M. Masinter

Director

September 25, 1986

Atlas Corporation

1986 Annual Report

Fiscal Year Ended June 30, 1986

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October 1, 1986)

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October 1, 1986)

Counsel

Simpson Thacher & Bartlett

One Battery Park Plaza, New York, N. Y. 10004

Auditors

Ernst & Whinney

153 East 53rd Street, New York, N. Y. 10022

10-K Report

A copy of the Company's Annual

Report on Form 10-K as filed with the

Securities and Exchange Commission

will be provided to stockholders without

charge upon written request to the

Treasurer, Atlas Corporation,

353 Nassau Street, Princeton, N. J. 08540

To the Stockholders of Atlas Corporation:

In its fiscal year 1986, which ended on June 30, 1986, Atlas Corporation had a net loss of \$2,810,000, or 95¢ per share, compared to a net loss of \$4,554,000, or \$1.54 per share, in the prior fiscal year. Revenues for fiscal 1986 were \$48,764,000 compared to \$39,056,000 for fiscal 1985.

The loss in fiscal year 1986 resulted mainly because the Minerals Division continued to incur the expenses involved in keeping our Moab, Utah uranium and vanadium processing plant and the mines which provide the ores for it on temporary stand-by.

THE OUTLOOK FOR FISCAL 1987

At this time the development of the Company's Gold Bar gold-bearing ore body in Nevada is ahead of its timetable and is below budget. Production and sale of gold from the Gold Bar project is planned to begin in January 1987. The Company's feasibility studies for that project are based on an assumed price of \$300 per ounce of gold and an average total production cost of less than \$250 per ounce. Because the price of gold is currently well in excess of \$300 per ounce and because the Company's production cost estimate still seems realistic, unless unforeseen problems are encountered in bringing this project on stream or the price for gold falls precipitously, this project should enable the Company to return to profitability during the quarter beginning January 1, 1987. Incidentally, at this writing, the price of gold is approximately \$415 per ounce. Current plans call for the production of between 40,000 and 50,000 ounces of gold annually for at least five years.

It currently appears that, apart from the Minerals Division, each of the Company's other four Divisions will be profitable in fiscal 1987 and, in total, will achieve profits at least equal to those they achieved in fiscal 1986.

THE OUTLOOK FOR U308 IN CONCENTRATE

While, as indicated above, the Company's Moab, Utah uranium and vanadium processing plant and the mines which provide the ores for it continue on temporary stand-by, serious consideration is being given to activating that plant and some of those mines during the last half of fiscal 1987.

The number of nuclear power plants licensed to operate in this country continues to increase, so that there are now approximately 100 of such plants. Nuclear power is now the second largest source of electricity in the United States. Approximately 90% of the population of the continental United States is served by nuclear electric power, either directly by a plant operated by a local utility or indirectly by electric power purchases and pooling. The number of nuclear power plants licensed to operate throughout the world also continues to increase.

The Company and some of the other domestic producers of U308 continue, through an organization called the "Uranium Producers of America", to make strong efforts to have our Federal Government take steps to provide some protection for our industry against foreign competition, which competition is in many cases subsidized by the foreign governments involved. Our domestic uranium producing industry receives no such subsidization or help from our Government, and it is impossible for domestic uranium producers to meet this kind of competition.

Unless some help is provided to the domestic uranium producing industry within a relatively short time, this nation will again, as in 1973 when the Arab embargo on oil was imposed, be depending on foreign sources for the base product required to produce more than 15% of our current domestic production of electricity and for our defense needs for U308 for our weapons program and our nuclear-fueled naval ships and submarines. The lack of wisdom in this approach is obvious. Once that happens, our domestic utilities with nuclear plants, as well as our Department of Defense, will face a market for needed products which is dominated by foreign producers and governments, with all that that entails.

In September 1985 the U.S. Secretary of Energy determined that the domestic uranium producing industry was unviable as at December 31, 1984. Thereafter, in a litigation in the Federal District Court in Denver brought privately by three domestic uranium producers against the Department of Energy, the Judge determined that the Department of Energy must place a limitation on the enrichment in this country of foreign uranium for use in domestic nuclear power plants. That decision has been appealed by the Department of Energy to the Tenth Circuit Court of

Appeals and argument on that appeal took place on September 11, 1986. A decision on that appeal will be most important to the future of the domestic uranium producing industry and, if the lower court's decision is upheld, it should have a major positive impact on our industry.

COMPANY OPERATIONS

The Company has five Divisions, one of which is in the natural resources business, three in manufacturing businesses and one in the services business. Details covering the operations of these Divisions are as follows:

Natural Resources ATLAS MINERALS DIVISION

The Atlas Minerals Division has an executive office in Grand Junction, Colorado, a uranium operations office in Moab, Utah and a precious metals operations office in Reno, Nevada.

The main business of the Division has been selling U308 and vanadium pentoxide produced by processing in the Company's Moab plant Company-owned and controlled ores and ores bought from others, although by the beginning of calendar 1987 the Division's main business may be the production and sale of gold. In fiscal 1986 the Division sold 455,000 pounds of U308, all out of inventory. It still retains a small inventory of uncommitted U308. It sold no vanadium pentoxide, because its inventory of vanadium pentoxide was sold out in fiscal 1985.

While, as stated above, the Company's uranium and vanadium producing operations continue on a stand-by basis, it is believed that the Moab mill and the mines which feed it can be brought back into production within eight weeks of a decision to reactivate and reopen them. Studies as to the feasibility and economics of mining the Farley uranium and vanadium deposit in Utah and of building a plant to process the ores involved were completed some time ago. Any decision to begin to effectuate such plans is contingent on the future state of the market and price for U308.

The Company's plans concerning the production of gold are discussed above under the heading "The Outlook for Fiscal 1987".

The Company will also continue to explore for other gold-bearing reserves on the Gold Bar properties and to explore for and attempt to acquire other properties bearing precious metals.

The Minerals Division sales were higher in fiscal 1986 than they were in fiscal 1985 because it sold more U308 than it did in the prior fiscal year. The Division again operated at a loss in fiscal 1986, but that loss was significantly less than in the prior fiscal year. As stated above, the Division's performance as to both sales and profits in fiscal 1987 will be determined largely by its ability to bring the Gold Bar ore body into production by January 1987 and to sell the gold produced at favorable prices.

Manufacturing ATLAS BUILDING SYSTEMS DIVISION

The Atlas Building Systems Division produces precast concrete, prestressed concrete systems and central mixed concrete at three plants in New Jersey. It also sells masonry building supplies. It markets its products in New York, New Jersey, Delaware and Pennsylvania.

In fiscal 1986 the Division had an excellent year and again achieved the highest sales and profits in its history. It is currently expected that the Division will have another fine year in 1987.

BROCKTON SOLE & PLASTICS DIVISION

The Brockton Sole & Plastics Division produces plastic, molded fiber, leather and rubber products, mainly for the shoe industry and the sporting goods industry. It has two plants in Massachusetts and one in Tennessee.

In fiscal 1986 sales of the Division were lower than in the prior fiscal year, and the Division achieved only a small profit, which was slightly higher than in the previous year. While it is currently expected that the Division will achieve higher sales and profits in fiscal 1987 than in fiscal 1986, because the market for the Division's major products is the domestic shoe industry the fortunes of the Division in fiscal 1987 will be determined largely by the success of its current efforts to perfect and market new products. While the Division's management continues to support the domestic

shoe industry's efforts to obtain protection against the importation of foreign-produced shoes, the likelihood of success in this endeavor does not currently appear to be great.

WESTERN SKY INDUSTRIES DIVISION

The Western Sky Industries Division manufactures at its plant in Hayward, California, plastic and metal products used widely in the aircraft and automotive industries, as well as in other industries.

The Division's sales and profits in fiscal 1986 were both higher than they were in fiscal 1985 because of the improvement in both the domestic automotive and aircraft industries. It is currently expected that the Division's sales and profits will again be higher in fiscal 1987.

Services

INTERNATIONAL ATLAS SERVICES DIVISION

The services business of the Company is conducted by its International Atlas Services Division headquartered in Oakland, California.

The principal asset of this Division is its 55% interest in Global Associates (Global), a joint venture in which the Division is the managing venturer.

Global is a leader in the business of providing "life support" services, which include food services, housing administration and maintenance, medical and dental services, transportation (air, sea and land), facility operations and maintenance, fire protection, recreation services and security services.

Global provides such services under contracts to domestic and international customers, both governmental and private. Major customers include the U.S. Army and the U.S. Navy.

Under its major contract Global provides support services to the U.S. Army at the Kwajalein Missile Range in the Marshall Islands. The current contract runs until September 30, 1987. The competition for a new contract is scheduled to be held between now and

March 1987. The fortunes of this Division thereafter will be determined largely by whether it succeeds in being the successful bidder for this new contract.

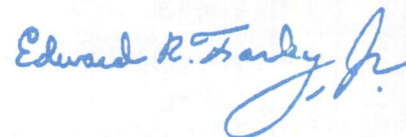
Global's headquarters are also in Oakland, California. It has branch offices in Honolulu, Hawaii and at operating sites in South Carolina and Pennsylvania.

The International Atlas Services Division had slightly higher profits in fiscal 1986 than it did in the prior fiscal year. It is currently expected that the Division's profits in fiscal 1987 will again be higher than they were in fiscal 1986.

General

Mr. Richard R. Weaver, currently Executive Vice President of the Company, will become the President of the Company and its Chief Operating Officer on October 1, 1986. Mr. Weaver joined the Company as President of its Minerals Division in 1980, having previously managed exploration for base metals deposits, precious metals deposits and uranium deposits in the United States for Exxon Minerals Company, U.S.A. Mr. Weaver will continue as President of the Company's Minerals Division to oversee the completion of bringing the Gold Bar properties into production.

The annual meeting of the stockholders of the Company will be held in New York, New York at 9:30 a.m. on November 5, 1986. Details concerning the meeting are contained in the notice of that meeting and the related proxy statement, both of which are being mailed to you along with this report.



EDWARD R. FARLEY, JR.
*Chairman of the Board
and President*

September 22, 1986

Atlas Corporation and its Subsidiaries

Consolidated Statements of Operations and Retained Earnings
For the years ended June 30

	<u>1986</u>	<u>1985</u>	<u>1984</u>
Revenues:			
Sales	\$46,391,000	\$35,636,000	\$35,853,000
Service contract fees earned	1,807,000	1,837,000	1,302,000
Interest and other income	566,000	1,583,000	4,298,000
	<u>48,764,000</u>	<u>39,056,000</u>	<u>41,453,000</u>
Costs and expenses:			
Cost of sales	40,677,000	32,305,000	32,234,000
Depreciation, depletion and amortization	698,000	794,000	3,624,000
Exploration and prospecting costs	2,119,000	1,878,000	2,492,000
Selling, general and administrative expenses	7,186,000	7,583,000	8,098,000
Interest expense	104,000	55,000	312,000
Other	44,000	277,000	314,000
	<u>50,828,000</u>	<u>42,892,000</u>	<u>47,074,000</u>
Loss before minority interests and income taxes	(2,064,000)	(3,836,000)	(5,621,000)
Minority interests	746,000	718,000	584,000
Loss before income taxes	(2,810,000)	(4,554,000)	(6,205,000)
Reduction in income taxes	—	—	(2,314,000)
Net loss	(2,810,000)	(4,554,000)	(3,891,000)
Retained earnings at beginning of year	53,116,000	57,670,000	63,041,000
	<u>50,306,000</u>	<u>53,116,000</u>	<u>59,150,000</u>
Cash dividends on common stock	—	—	1,480,000
Retained earnings at end of year	<u>\$50,306,000</u>	<u>\$53,116,000</u>	<u>\$57,670,000</u>
Net loss per share of common stock (based on weighted average number of shares outstanding during year)	<u>\$(.95)</u>	<u>\$(1.54)</u>	<u>\$(1.31)</u>

See notes to consolidated financial statements.

Atlas Corporation and its Subsidiaries

Consolidated Balance Sheets

June 30

Assets

	<u>1986</u>	<u>1985*</u>
Current assets:		
Cash and short-term investments.....	\$10,436,000	\$ 4,772,000
Trade accounts receivable, less allowance for doubtful accounts of \$1,274,000 in 1986 and \$992,000 in 1985.....	12,010,000	12,285,000
Other accounts receivable	450,000	797,000
Inventories	18,656,000	28,483,000
Prepaid expenses and other current assets	2,044,000	1,444,000
Total current assets	<u>43,596,000</u>	<u>47,781,000</u>
Property, plant and equipment:		
Mining.....	63,842,000	59,653,000
Milling	33,072,000	33,044,000
Manufacturing.....	10,576,000	10,714,000
	<u>107,490,000</u>	<u>103,411,000</u>
Less, Accumulated depreciation, depletion and amortization.....	<u>56,235,000</u>	<u>56,057,000</u>
	51,255,000	47,354,000
Other assets	940,000	750,000
	<u>\$95,791,000</u>	<u>\$95,885,000</u>

Liabilities

Current liabilities:		
Note payable to bank	\$ —	\$ 600,000
Trade accounts payable.....	4,069,000	2,560,000
Other accrued liabilities.....	5,435,000	5,858,000
Total current liabilities	9,504,000	9,018,000
Long-term debt	2,502,000	—
Other liabilities, long-term.....	5,035,000	5,311,000
Minority interests	2,238,000	2,234,000

Stockholders' Equity

Common stock, par value \$1 per share; authorized 6,000,000 shares, issued and outstanding 2,960,488 shares	2,960,000	2,960,000
Capital in excess of par value.....	23,253,000	23,253,000
Retained earnings	50,306,000	53,116,000
Less, common stock in treasury, at cost, 231 shares	7,000	7,000
Total stockholders' equity	<u>76,512,000</u>	<u>79,322,000</u>
	<u>\$95,791,000</u>	<u>\$95,885,000</u>

* Reclassified for comparative purposes.
See notes to consolidated financial statements.

Atlas Corporation and its Subsidiaries

Consolidated Statements of Changes in Financial Position

For the years ended June 30

	<u>1986</u>	<u>1985</u>	<u>1984*</u>
Working capital used:			
In operations:			
Net loss	\$2,810,000	\$4,554,000	\$3,891,000
Charges (credits) not affecting working capital:			
Depreciation, depletion and amortization	(698,000)	(794,000)	(3,624,000)
Deferred federal income taxes	—	—	2,501,000
Increase (decrease) in minority interests	(4,000)	452,000	442,000
Total in operations	2,108,000	4,212,000	3,210,000
Additions to property, plant and equipment	4,610,000	4,774,000	3,248,000
Increase in other assets	190,000	259,000	112,000
Dividends on common stock	—	—	1,480,000
Total working capital used	<u>\$6,908,000</u>	<u>\$9,245,000</u>	<u>\$8,050,000</u>
Working capital provided:			
Cost of property, plant and equipment sold	\$ 11,000	\$ 167,000	\$ 85,000
Decrease in investment in affiliate	—	975,000	1,505,000
Increase in drillers' fees payable	—	—	700,000
Increase in long-term debt	2,502,000	—	—
Increase (decrease) in other liabilities, long-term	(276,000)	406,000	1,222,000
Stock issuance due to exercise of options	—	9,000	—
Decrease in working capital (as below)	4,671,000	7,688,000	4,538,000
Total working capital provided	<u>\$6,908,000</u>	<u>\$9,245,000</u>	<u>\$8,050,000</u>
Working Capital Changes			
Current assets:			
Cash and short-term investments	\$ 5,664,000	\$(4,026,000)	\$(20,708,000)
Trade accounts receivable	(275,000)	2,478,000	369,000
Other accounts receivable	(347,000)	130,000	90,000
Inventories	(9,827,000)	(6,925,000)	6,885,000
Prepaid expenses and other current assets	600,000	280,000	(78,000)
Net (decrease)	<u>(4,185,000)</u>	<u>(8,063,000)</u>	<u>(13,442,000)</u>
Current liabilities:			
Note payable to bank	(600,000)	(50,000)	650,000
Trade accounts payable	1,509,000	(945,000)	534,000
Other accrued liabilities	(423,000)	670,000	(8,426,000)
Drillers' fees payable, current maturity	—	(50,000)	(1,662,000)
Net increase (decrease)	<u>486,000</u>	<u>(375,000)</u>	<u>(8,904,000)</u>
Decrease in working capital	<u><u>\$(4,671,000)</u></u>	<u><u>\$(7,688,000)</u></u>	<u><u>\$ (4,538,000)</u></u>

* Reclassified for comparative purposes.

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Accounting Policies

Principles of Consolidation—The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries.

Inventories—Ores and concentrates are stated at the lower of cost, principally average, or market; manufacturing inventories are stated at the lower of cost, first-in, first-out, or market.

Property, Plant and Equipment—Stated at cost, less accumulated depreciation, depletion and amortization. Depreciation at all manufacturing facilities is calculated by the straight-line method. Depreciation of milling facilities and depletion and amortization of mining properties are determined by the units of production method. Leasehold improvements are amortized on the straight-line basis over the terms of related leases. Mines and mill on temporary stand-by basis are not amortized or depreciated. Costs of maintaining such facilities (\$2,600,000 in 1986, \$3,383,000 in 1985 and \$2,326,000 in 1984) are charged to operations.

Expenditures for maintenance and repairs are charged to income as incurred. Expenditures for additions, improvements, replacements, betterments and major renewals are added to the property, plant and equipment accounts. The cost of assets retired, or otherwise disposed of, and related accumulated depreciation are eliminated from the accounts and any related gain or loss is reflected in the consolidated statements of operations and retained earnings.

Interest cost, incurred for the acquisition or construction of capital assets during the period of time to ready the assets for the intended use, is capitalized as part of the historical cost of acquiring the asset. The amount capitalized in 1986 was not material.

The investment tax credit available to the Company is applied against the current tax provision in the year it is usable on a book basis.

Employee Retirement Plans—The Company has several trustee and insured retirement plans covering substantially all permanent employees for which the Company provides the trusteeship and management. Required contributions to these plans of \$369,000, \$601,000 and \$680,000 in fiscal years 1986, 1985 and 1984, respectively, including the amortization of the unfunded past service costs of \$165,000, \$273,000 and \$289,000 in fiscal years 1986, 1985 and 1984,

respectively, are charged to income and funded currently.

The total unfunded past service costs during fiscal years 1985 and 1984 were \$660,000 and \$1,665,000, respectively. These costs will be amortized over ten years, utilizing an 8% interest rate. The actuarial present value of accumulated plan benefits and net plan assets of the Company's pension plans as of the most recent valuation dates are as follows:

	June 30,	
	1985	1984
Actuarial present values of accumulated plan benefits:		
Vested	\$5,198,000	\$5,261,000
Nonvested	223,000	348,000
	<u>\$5,421,000</u>	<u>\$5,609,000</u>
Net assets available for plan benefits	<u>\$6,349,000</u>	<u>\$5,221,000</u>

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8% for both fiscal years 1985 and 1984.

Employee Incentive Plans—Market value increases and decreases above the option price of stock appreciation rights under the 1979 Key Employee Stock Incentive Plan are charged or credited to earnings in the period of increase or decrease. See Note 5.

Exploration—Costs incurred in the search for new mining operations are charged to income when incurred.

Reclamation Expense—In connection with the renewal of a license to operate its Moab, Utah mill, the Company is obligated to stabilize and reclaim its mill tailings pond. Reclamation will take place after the mill is permanently shut down. Reclamation costs are amortized by the units of production method and are calculated using a rate based on total estimated reclamation costs, and estimates of recoverable reserves. There was no reclamation expense charged in fiscal 1986 and 1985 due to the mill shutdown; such expense charged in 1984 was \$39,000.

2. Notes Payable to Banks

The Company had a \$10,000,000 revolving credit agreement with Manufacturers Hanover Trust Company which expired on November 15, 1985, and there were

no borrowings under that agreement. The Company replaced that agreement with a \$2,500,000 line of credit with Manufacturers Hanover Trust Company which expired on January 15, 1986. The maximum borrowing and average borrowings in fiscal year 1986 under that agreement were \$1,700,000 and \$234,000, respectively. The weighted average interest rate, calculated based on daily outstanding balances, was 9.5%. The borrowings under the agreement were repaid when the line of credit expired in January, 1986.

During April, 1986 a subsidiary of the Company, Atlas Gold Mining Inc., entered into a Credit Agreement with Bank of America National Trust and Savings Association (the Bank) to finance the development of a gold mining facility. The Credit Agreement provides for borrowings of up to \$12,000,000 with interest rates ranging from 1% to 1¼% over the Bank's reference rate. There is a commitment fee of ½% of the average unused portion of the \$12,000,000 during the commitment period. The Bank has also been granted a 3% net profits participation in the first 271,000 ounces of gold produced and sold from the subsidiary's gold mining facility. The balance of the borrowings at June 30, 1986 and the maximum borrowing during the year ended June 30, 1986 were \$1,154,000. In addition,

liabilities of \$1,348,000 at June 30, 1986 were financed under the Credit Agreement subsequent to June 30, 1986. Repayments of the borrowings will be made based on the net cash flows of the subsidiary as defined by the Credit Agreement; however, without regard to the cash flows, the outstanding balance at June 30, 1987 must be paid in ten quarterly installments beginning June 30, 1987. The outstanding borrowings under the Credit Agreement are secured by a pledge of the assets and common stock of the subsidiary, by a guarantee of the Company, and, through the completion, as defined, of construction of the gold mine and mill facility, by a contract for the sale of uranium in concentrate and the uranium in concentrate covered by that contract.

Another subsidiary of the Company has a \$2,500,000 line of credit with a bank which expires on January 31, 1987. Borrowings against this line bear interest at that bank's reference rate with a compensating balance requirement of 5% of the committed line and actual borrowings. The amount of such borrowings at June 30, 1985 was 600,000, and there were no borrowings at June 30, 1986.

There were no notes payable by the Company to banks during fiscal year 1986 or 1985 other than those mentioned above.

3. Inventories

Inventories consist of the following:

	June 30, 1986			June 30, 1985		
	Natural Resources	Manufacturing	Total	Natural Resources	Manufacturing	Total
Raw materials.....	\$ 2,993,000	\$1,223,000	\$ 4,216,000	\$ 4,316,000	\$1,032,000	\$ 5,348,000
Work in process.....	425,000	165,000	590,000	425,000	205,000	630,000
Finished goods.....	10,432,000	1,235,000	11,667,000	19,541,000	678,000	20,219,000
Other.....	2,176,000	7,000	2,183,000	2,280,000	6,000	2,286,000
	<u>\$16,026,000</u>	<u>\$2,630,000</u>	<u>\$18,656,000</u>	<u>\$26,562,000</u>	<u>\$1,921,000</u>	<u>\$28,483,000</u>

4. Stockholders' Equity

The Company is authorized to issue 1,000,000 shares of Series Preferred Stock, par value \$1.00, issuable in series, with designations, rights and preferences to be fixed by the Board of Directors at the time of the issuance. No shares of this class of preferred stock have been issued.

During the three years ended June 30, 1986 1,004,506 shares of the Company's common stock

were reserved for option warrants to purchase, at any time, common stock at \$31.25 per share.

There were no changes in value of common stock, capital in excess of par value or treasury stock during the year ended June 30, 1986 or the year ended June 30, 1984. During fiscal year 1985, 681 shares of common stock were issued as a result of the exercise of an employee stock option, and \$9,000 was credited to capital in excess of par value.

5. Employee Incentive Plans

On November 20, 1979, the stockholders of the Company approved the 1979 Key Employee Stock Incentive Plan (the Plan), which provides that key employees may be granted options to purchase an aggregate of 145,000 shares of common stock at the fair value of the shares on the date of grant. Through June 30, 1986, 128,500 options had been granted under the Plan. Options may become exercisable beginning one year after the date of grant and are exercisable for a maximum term of ten years from the date of grant. No options may be granted after December 31, 1989.

Under the terms of the Plan, options granted include stock appreciation rights which allow the holder to receive the value of the difference between the exercise price and the fair market value of the stock at the date of exercise. Under the Plan, the options and appreciation rights are granted in tandem form whereby the exercise of one cancels the other. The value of the appreciation rights may be received, at the optionee's election, either in shares of common stock or up to 50% in cash and the remainder in shares of common stock.

On January 3, 1980, options to purchase 72,000 shares of common stock were granted at an exercise price of \$17.50 per share, of which 28,000 shares have been cancelled (18,000 shares cancelled in 1986); on October 15, 1980, options to purchase 7,000 shares of common stock were granted at an exercise price of \$17.125 per share; on September 28, 1981, options to purchase 39,500 shares of common stock were granted at an exercise price of \$11.00 per share, of which 3,000 shares were cancelled in 1986; and on January 5, 1983, options to purchase 10,000 shares of common stock were granted at an exercise price of \$19.50 per share. The exercise prices are equal to the market value of the common stock on the date of grant. During fiscal year 1985, 5,000 options were exercised at \$11.00 per share, and no options were exercised during fiscal years 1986 or 1984. In connection with the Plan, in fiscal year 1984, \$741,000 was credited to income, in fiscal year 1985, \$15,000 was credited to income, and in fiscal year 1986, there were no charges or credits to income. At June 30, 1986, 92,500 options were outstanding and exercisable in connection with the Plan.

6. Income Taxes

	1986	1985	1984
The components of the provision for (reduction in) income taxes are as follows:			
Federal:			
Currently payable	—	—	\$ 73,000
Deferred	—	—	(2,501,000)
State	—	—	156,000
Foreign	—	—	(42,000)
	<u>—</u>	<u>—</u>	<u>\$(2,314,000)</u>

The Company files a consolidated federal income tax return. For the purpose of computing income subject to federal income taxes, the Company is allowed statutory depletion deductions in excess of those computed for financial reporting purposes. The Company also uses accelerated depreciation methods and had previously deducted development expenses for federal income tax purposes. Accordingly, at June 30, 1986, the Company had substantial tax operating loss carryforwards. The book loss carryforwards of approximately \$9,500,000 expire in 1999 through 2001, and the tax loss carryforwards expire in 1994 through 2001 if not previously utilized.

At June 30, 1986, the Company had a book investment credit carryforward of approximately \$310,000 and substantial investment credit carryforwards for tax purposes. These investment credit carryforwards expire ratably from 1989 through 2001 if not previously utilized. When the tax operating loss and investment credit carryforwards in excess of the book amounts are used, the resulting benefits will be credited to deferred federal income taxes.

	% to Pretax		
	1986	1985	1984
Reconciliation of the provision for income taxes:			
Provision for (reduction in) income taxes at statutory rate	(46)	(46)	(46)
Increase in rate resulting from:			
Limitation on carryback of operating loss	46	46	7
Other	<u>—</u>	<u>—</u>	<u>2</u>
	<u>—</u>	<u>—</u>	<u>(37)</u>

7. Quarterly Financial Data (Unaudited)

Year ended June 30, 1986

	Three Months Ended				
	1985		1986		Total
	September 30	December 31	March 31	June 30	
Sales	\$8,611,000	\$8,479,000	\$12,803,000	\$16,498,000	\$46,391,000
Operating (loss) before deducting depreciation, depletion and amortization	(729,000)	(458,000)	(30,000)	(149,000)	(1,366,000)
Depreciation, depletion and amortization ..	119,000	175,000	178,000	226,000	698,000
Net (loss)	(992,000)	(816,000)	(400,000)	(602,000)	(2,810,000)
Per share data:					
Net (loss)	<u>\$(.34)</u>	<u>\$(.28)</u>	<u>\$(.14)</u>	<u>\$(.19)</u>	<u>\$(.95)</u>

The net loss for the first, second and third quarters was reduced by \$267,000, \$384,000 and \$79,000, respectively, due to reversals of lower of cost or market inventory reserves that were no longer required.

Year ended June 30, 1985

	Three Months Ended				
	1984		1985		Total
	September 30	December 31	March 31	June 30	
Sales	\$8,216,000	\$7,693,000	\$10,849,000	\$ 8,878,000	\$35,636,000
Operating (loss) before deducting depreciation, depletion and amortization	(1,056,000)	(1,119,000)	(299,000)	(568,000)	(3,042,000)
Depreciation, depletion and amortization ..	171,000	181,000	167,000	275,000	794,000
Net (loss)	(1,292,000)	(1,518,000)	(650,000)	(1,094,000)	(4,554,000)
Per share data:					
Net (loss)	<u>\$(.44)</u>	<u>\$(.51)</u>	<u>\$(.22)</u>	<u>\$(.37)</u>	<u>\$(1.54)</u>

The Company provided inventory reserves of \$290,000 in the second quarter and \$125,000 in the third quarter as a result of the market value of uranium in concentrate being below the Company's cost. The income of the second quarter was reduced by \$42,000 and the income of the fourth quarter was increased by \$57,000 as a result of provisions and reversals required in connection with the 1979 Key Employee Stock Incentive Plan.

8. Industry Segment Information

	Natural Resources (Note b)	Shoe Parts	Building Products	Service	Other (Note a)	Total
Year ended June 30, 1986						
Revenue from unaffiliated customers	\$11,894,000	\$ 9,742,000	\$23,131,000	\$ 1,904,000	\$ 2,093,000	\$ 48,764,000
Income (loss) before income taxes	(4,684,000)	151,000	1,871,000	881,000	(1,029,000)	(2,810,000)
Depreciation, depletion and amortization.....	41,000	278,000	205,000	110,000	64,000	698,000
Capital expenditures	4,222,000	102,000	135,000	38,000	113,000	4,610,000
Assets as of June 30, 1986						
Identifiable	\$63,963,000	\$ 5,266,000	\$ 9,357,000	\$ 8,233,000	\$ 1,252,000	\$ 88,071,000
Corporate.....	—	—	—	—	7,720,000	7,720,000
	<u>\$63,963,000</u>	<u>\$ 5,266,000</u>	<u>\$ 9,357,000</u>	<u>\$ 8,233,000</u>	<u>\$ 8,972,000</u>	<u>\$ 95,791,000</u>
Year ended June 30, 1985						
Revenue from unaffiliated customers	\$ 3,904,000	\$11,116,000	\$19,526,000	\$ 2,126,000	\$ 2,384,000	\$ 39,056,000
Income (loss) before income taxes	(6,296,000)	20,000	1,769,000	839,000	(886,000)	(4,554,000)
Depreciation, depletion and amortization.....	36,000	306,000	261,000	132,000	59,000	794,000
Capital expenditures	4,436,000	219,000	72,000	18,000	29,000	4,774,000
Assets as of June 30, 1985						
Identifiable	\$68,910,000	\$ 5,232,000	\$ 7,870,000	\$ 8,672,000	\$ 1,181,000	\$ 91,865,000
Corporate.....	—	—	—	—	4,020,000	4,020,000
	<u>\$68,910,000</u>	<u>\$ 5,232,000</u>	<u>\$ 7,870,000</u>	<u>\$ 8,672,000</u>	<u>\$ 5,201,000</u>	<u>\$ 95,885,000</u>
Year ended June 30, 1984						
Revenue from unaffiliated customers	\$ 7,519,000	\$13,194,000	\$15,758,000	\$ 1,796,000	\$ 3,186,000	\$ 41,453,000
Income (loss) before income taxes	(8,665,000)	687,000	970,000	705,000	98,000	(6,205,000)
Depreciation, depletion and amortization.....	2,894,000	328,000	214,000	131,000	57,000	3,624,000
Capital expenditures	2,716,000	205,000	112,000	181,000	34,000	3,248,000
Assets as of June 30, 1984						
Identifiable	\$73,585,000	\$ 5,698,000	\$ 6,897,000	\$ 8,175,000	\$ 1,180,000	\$ 95,535,000
Corporate.....	—	—	—	—	7,738,000	7,738,000
	<u>\$73,585,000</u>	<u>\$ 5,698,000</u>	<u>\$ 6,897,000</u>	<u>\$ 8,175,000</u>	<u>\$ 8,918,000</u>	<u>\$103,273,000</u>

Note a—In the opinion of the Company, it is not practical to allocate corporate income and expense to the various industry segments except on an arbitrary basis.

	1986	1985	1984
Note b—Revenue from Significant Customers:			
Public Service Electric & Gas Company	\$4,185,000	\$3,780,000	\$ —
Boston Edison Company	\$ —	\$ —	\$5,933,000
Nuexco	\$5,604,000	\$ —	\$ —

9. Details of Certain Balance Sheet Captions

Other accrued liabilities include \$2,111,000 in fiscal year 1986 and \$2,359,000 in fiscal year 1985 related to accrued compensation, \$373,000 in fiscal year 1986 and \$420,000 in fiscal year 1985 related to accrued pension, and \$1,054,000 in fiscal year 1986 and \$1,020,000 in fiscal year 1985 related to accrued insurance reserves.

Other liabilities, long-term include \$2,198,000 in fiscal years 1986 and 1985 related to a surety agreement and \$2,431,000 in fiscal year 1986 and \$2,264,000 in fiscal year 1985 related to accrued liability for supplemental pension benefits and deferred compensation for certain employees.

10. Mineral Reserve and Price Information (Unaudited)

The following information has been presented in accordance with the Statement of Financial Accounting Standards regarding "Financial Reporting and Changing Prices: Specialized Assets—Mining and Oil and Gas" in an effort to help readers assess the

amounts, timing and uncertainties of future cash flows to companies from mining activities. The FASB has characterized this disclosure requirement as experimental in nature. Therefore, the information is not intended to reflect the current values or changes in the current values of mineral reserves.

Mineral Reserve Data:	June 30,				
	1986	1985	1984	1983	1982
Uranium—Vanadium					
Proved ore-bearing properties (Grade range- 0.08% to 0.56% per ton of uranium in concentrate) in tons.....	4,195,000	4,195,000	4,195,000	3,335,000	2,172,000
Uranium in concentrate in pounds					
Production	—	—	821,000	1,333,000	1,889,000
Sales.....	455,000	135,000	308,000	1,386,000	1,666,000
Average sales price.....	\$21.51	\$28.00	\$19.30	\$42.62	\$44.46
Vanadium pentoxide in pounds					
Production	—	—	2,204,000	2,829,000	3,179,000
Sales.....	—	1,028,000	2,783,000	1,405,000	3,506,000
Average sales price.....	—	\$ 2.42	\$ 2.36	\$ 3.06	\$ 3.40
Gold	Tons (000s)		Grade (oz/T)		
Reserves—Proved at June 30, 1986 (Note a)					
Oxide	2,310			.104	
Carbonaceous	318			.198	
Total	2,628			.115	

Note a—A wholly owned subsidiary of the Company is planning commercial production and sale of gold from these reserves during calendar year 1987.

In some cases there are outstanding royalty and other interests which increase the costs of production from the Company's uranium-vanadium reserves. While there are certain claims of third parties which could reduce the rights of the Company in certain of its uranium-vanadium reserves, the Company believes it has substantially more than a majority interest in all of its principal properties. There are no outstanding royalties or other interest in the gold reserves.

The amount and grade of the ore reserves referred to above were computed using sample data obtained at underground workings within developed ore bodies and by using radiometric and chemical data from holes drilled from the surface. Correlation with actual uranium concentration has been established, to the extent possible, by chemical assay and by the amount of uranium in concentrate contained in ore tonnage processed to date by the Company's mill. The extent to which ore reserves will be mined depends upon such factors as the nature and extent of the market for these minerals, mining and milling costs, various conditions affecting mining and the ability of the Company to obtain sales on a profitable basis, none of which can be accurately predicted.

11. Supplemental Information on Changing Prices (Unaudited)

Statement of Operations Adjusted for Changing Prices for the Year Ended June 30, 1986

	As Reported in the Primary Statements	Adjusted for Changes in Specific Prices (Current Costs)
Net sales and other operating revenues.....	\$48,764,000	\$48,764,000
Cost of sales	40,677,000	40,677,000
Depreciation, depletion and amortization	698,000	1,296,000
Exploration and prospecting costs.....	2,119,000	2,119,000
Selling, general and administrative expenses	7,186,000	7,186,000
Interest expense.....	104,000	104,000
Other expense.....	44,000	44,000
	<u>50,828,000</u>	<u>51,426,000</u>
Loss before minority interests and income taxes.....	(2,064,000)	(2,662,000)
Minority interests	746,000	746,000
Net loss	<u>\$ (2,810,000)</u>	<u>\$ (3,408,000)</u>
Purchasing power loss from holding net monetary assets in the year.....		<u>\$ (74,000)</u>
Increase in specific prices of inventory and property, plant and equipment.....		\$ 1,551,000
Less, Effect of increase in general price level.....		<u>3,694,000</u>
Excess of increase in general price level over increase in the specific prices		<u>\$ 2,143,000</u>

Five-Year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices (In Average 1986 Dollars)

	For Year Ended June 30				
	1986	1985	1984	1983	1982
Net sales and other operating revenues.....	\$48,764,000	\$ 40,190,000	\$ 44,322,000	\$104,269,000	\$129,654,000
Historical cost information adjusted for changes in specific prices					
Income (loss) before extraordinary credit	\$ (3,408,000)	\$ (6,039,000)	\$ (15,137,000)	\$ 12,579,000	\$ 26,427,000
Income (loss) before extraordinary credit per common share	\$(1.15)	\$(2.04)	\$(5.11)	\$4.25	\$8.62
Excess of increase in general price level over increase in the specific prices.....	\$ 2,143,000	\$ 560,000	—	\$ 2,823,000	—
Excess of increase in the specific prices over increase in general price level	—	—	\$ 174,000	—	\$ 681,000
Net assets at year-end.....	\$94,491,000	\$114,953,000	\$130,084,000	\$146,570,000	\$134,467,000
Cash dividends declared per common share.....	—	—	\$.53	\$.55	—
Market price per common share at year-end.....	\$13 ³ / ₈	\$10 ³ / ₈	\$15 ⁷ / ₈	\$29 ¹ / ₂	\$14 ¹ / ₄
Average consumer price index	326.0	316.8	304.9	294.1	281.9
Purchasing power gain (loss)	\$ (74,000)	\$ (114,000)	\$ (382,000)	\$ (88,000)	\$ 2,099,000

In accordance with the Statement of Financial Accounting Standards No. 33 entitled "Financial Reporting and Changing Prices", supplementary information has been prepared restating inventory, property, plant and equipment, cost of goods sold, and depreciation, depletion and amortization expense for changes in specific prices up to June 30, 1986. The current cost amounts of inventory and property, plant and equipment as of June 30, 1986 were \$18,656,000 and \$67,546,000, respectively.

The objective of this additional disclosure is to provide information on the most significant effects of inflation on business enterprises, reflected through the current cost presentations above. Financial information that reflects changes in general purchasing power can provide an improved basis for assessing whether an enterprise has maintained the purchasing power of its capital, as is demonstrated above by the gain on net monetary liabilities that are repayable in dollars of diminishing purchasing power. The current cost amounts do not necessarily represent costs which will be incurred in future periods or the manner in which actual replacement of assets will occur.

**Report of
Independent
Auditors**

To the Board of Directors and Stockholders of ATLAS CORPORATION

We have examined the consolidated balance sheets of Atlas Corporation and its Subsidiaries as of June 30, 1986 and 1985, and the related consolidated statements of operations and retained earnings and changes in financial position for each of the three years in the period ended June 30, 1986. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Atlas Corporation and its Subsidiaries as of June 30, 1986 and 1985 and the consolidated results of their operations and changes in their financial position for each of the three years in the period ended June 30, 1986, in conformity with generally accepted accounting principles applied on a consistent basis.

New York, New York
August 22, 1986

Ernst & Whinney

**Market
Information
and Dividends**

	Quarter Ended	Fiscal Year 1986		Fiscal Year 1985	
		High	Low	High	Low
Common Stock (Listed on the New York Stock Exchange, Symbol AZ)	September 30.....	13 $\frac{1}{8}$	10 $\frac{1}{4}$	18 $\frac{1}{2}$	14 $\frac{3}{4}$
	December 31	13 $\frac{3}{4}$	10 $\frac{1}{4}$	17 $\frac{3}{4}$	14 $\frac{3}{4}$
	March 31	16 $\frac{7}{8}$	12 $\frac{1}{4}$	15 $\frac{3}{4}$	11 $\frac{7}{8}$
	June 30	14 $\frac{5}{8}$	11 $\frac{7}{8}$	14 $\frac{3}{4}$	10 $\frac{1}{8}$
In fiscal 1986 and 1985, no dividends were declared on the Common Stock. At June 30, 1986, there were approximately 23,000 holders of record of the Common Stock.					

Five-Year Selected Financial Data

	For the Year Ended June 30				
	1986	1985	1984	1983	1982
Net sales and other operating revenues.....	\$ 48,764,000	\$39,056,000	\$ 41,453,000	\$ 94,066,000	\$112,115,000
Income (loss) before extraordinary credit	\$ (2,810,000)	\$(4,554,000)	\$ (3,891,000)	\$ 15,957,000	\$ 25,128,000
Income (loss) before extraordinary credit per share of common stock..	\$ (.95)	\$ (1.54)	\$ (1.31)	\$ 5.39	\$ 8.49
Total assets	\$ 95,791,000	\$95,885,000	\$103,273,000	\$118,569,000	\$ 98,756,000
Long-term obligations	\$ 6,467,000	\$ 4,241,000	\$ 6,257,000	\$ 5,405,000	\$ 6,038,000
Book value per share of common stock.....	\$ 25.84	\$ 26.79	\$ 28.33	\$ 30.15	\$ 24.11
Cash dividends declared per share of common stock	—	—	\$.50	\$.50	—

**Management's
Discussion
and Analysis
of Financial
Condition and
Results of
Operations**

The following comments should be read in conjunction with the Letter to Stockholders from the Chairman of the Board and President on pages 1 through 3 and the Consolidated Financial Statements and accompanying notes on pages 4 through 13.

Sales in 1986 were \$46,391,000, an increase of 30% from 1985. Sales of the natural resources segment increased 208% in 1986 due to a higher volume of and higher prices for uranium in concentrate sold. Sales of the shoe parts segment decreased 12% principally as a result of increased competition from foreign imports. Sales of the building products segment increased 20% due to increased activity in the commercial and residential construction industry.

Sales in 1985 were approximately the same as 1984. Sales of the natural resources segment decreased 48% in 1985 principally because of reduced sales of uranium in concentrate during 1985. Sales of the shoe parts segment decreased 16% principally as a result of increased competition from foreign imports. Sales of the building products segment increased 24% due to increased activity in the commercial and residential construction industry.

Cost of sales in 1986 increased 26% from 1985 due to the increased sales referred to above. The natural resources segment cost of sales increased 68% due to increased sales. The shoe parts segment cost of sales decreased 12% due to lower sales. The building products segment cost of sales increased 20% due to increased sales. Cost of sales as a percentage of sales was relatively stable for all the segments.

Cost of sales in 1985 was approximately the same as 1984. The natural resources segment cost of sales decreased 21% due to lower sales referred to above and lower production costs. The shoe parts segment cost of sales decreased 14% due to lower sales referred to above. The building products segment cost of sales increased 22% due to increased sales referred to above. Cost of sales as a percentage of sales was relatively stable for all the segments.

The remaining costs and expenses of all the Company's segments in 1986, 1985 and 1984 remained relatively stable as a percentage of sales.

The Company's loss before income taxes decreased in 1986 primarily due to the reasons described above. The Company's

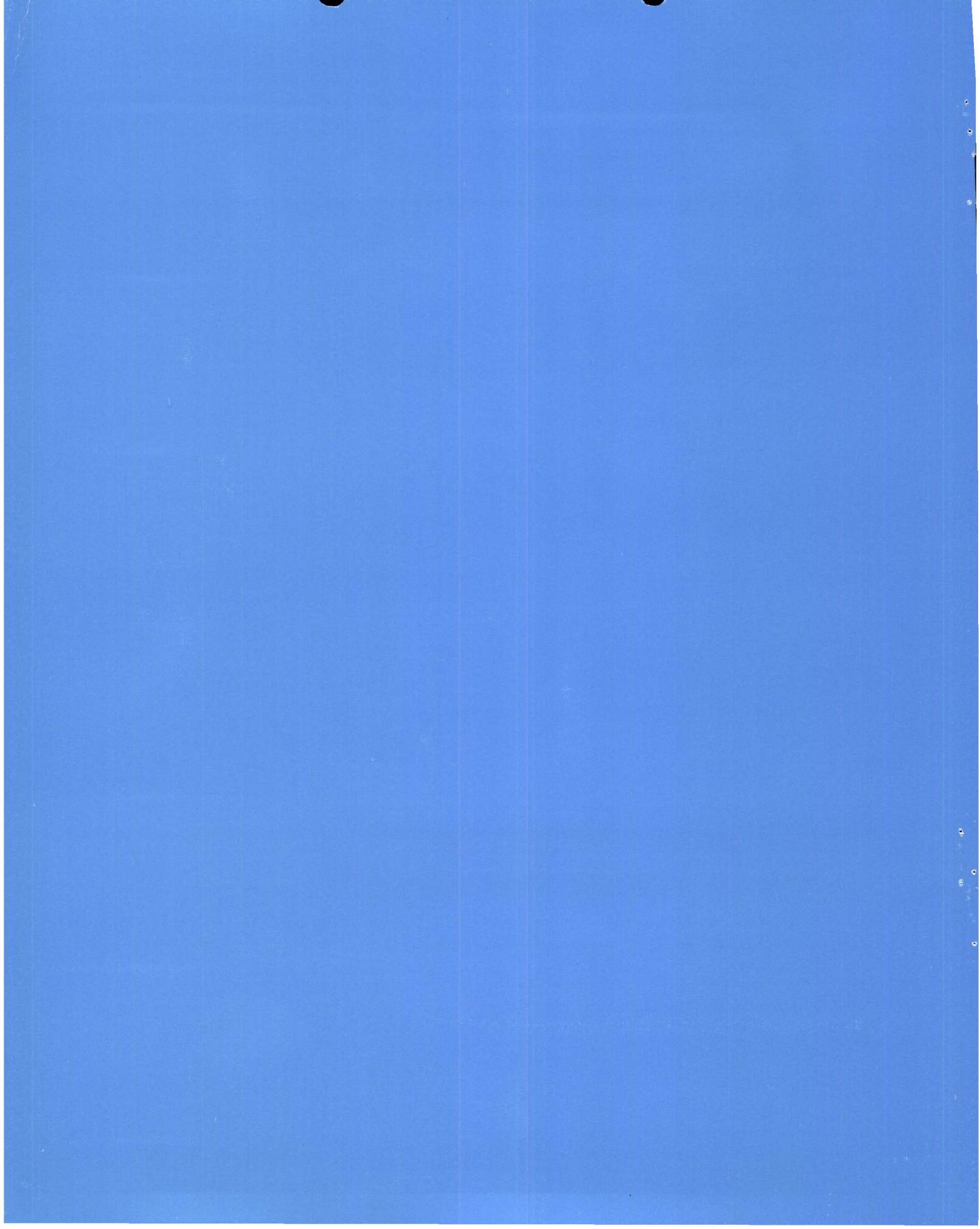
net loss for 1984 was reduced due to a credit for a reduction in income taxes.

The Company's sales and income for the periods set forth are not necessarily indicative of the results for any future period because revenues and profits from sales of uranium in concentrate vary significantly between periods depending upon the Company's ability to make sales and the delivery schedules, quantities and sales prices involved and also because the Company expects to commence production and sale of gold from its Gold Bar ore body in Nevada in 1987. The Company has a contract to sell approximately 435,000 pounds of uranium in concentrate over the next three fiscal years and has no inventory of or contracts to sell vanadium pentoxide. The Company has enough uranium in concentrate in inventory to meet its sales commitments. The Company has no current commitments to sell gold.

Working capital was \$34,092,000 at June 30, 1986, \$38,763,000 at June 30, 1985 and \$46,451,000 at June 30, 1984. The Company's current ratio was 4.59 to 1 at June 30, 1986, 5.30 to 1 at June 30, 1985 and 5.94 to 1 at June 30, 1984.

The Company's capital expenditures in 1986 were \$4,610,000, compared with \$4,774,000 in 1985 and \$3,248,000 in 1984. In the last two fiscal years, most of these capital expenditures were for the development of gold mining properties. In 1987 expenditures for uranium operations are expected to be minimal while the Company's uranium mill and mines are on a stand-by basis. The Company believes that for the foreseeable future it can meet the estimated \$2,500,000 annual stand-by costs of its uranium mill and mines from funds on hand and funds generated internally in the future. The Company has obtained the financing for capital expenditures required to bring its Gold Bar ore body into production.

For information regarding the impact of inflation on the Company for the fiscal year ended June 30, 1986, see Note 11 to the Consolidated Financial Statements on Page 13. It should be noted that while inflation does not have an impact on the revenues of the natural resources segment because the sales value of uranium in concentrate and gold is determined by supply and demand, that segment's costs of materials and labor are subject to inflationary pressures as are the revenues and costs of the Company's other segments.



ATLAS CORPORATION AND ITS SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND SCHEDULES
June 30, 1986, 1985 and 1984

Page

The Company's 1986 Annual Report to Stockholders, a complete copy of which is appended to this report, includes the following consolidated financial statements, which are incorporated herein by reference:

Consolidated Balance Sheets for the Fiscal Years Ended June 30, 1986 and 1985	*
Consolidated Statements of Operations and Retained Earnings for the Fiscal Years Ended June 30, 1986, 1985 and 1984	*
Consolidated Statements of Changes in Financial Position for the Fiscal Years Ended June 30, 1986, 1985 and 1984	*
Notes to Consolidated Financial Statements	*
Report of Independent Auditors	F-3
Schedules for the Fiscal Years ended June 30, 1986, 1985 and 1984:	
II Amounts Receivable from Related Parties and Underwriters, Promotors, and Employees Other Than Related Parties	F-4
V Property, Plant and Equipment	F-5
VI Accumulated Depreciation, Depletion and Amortization of Property, Plant and Equipment	F-6
VIII Valuation and Qualifying Accounts and Reserves	F-7
X Supplementary Income Statement Information	F-8

* Appears on pages 4 through 13 of the Company's 1986 Annual Report to Stockholders included herein.

With the exception of the pages referred to, unless otherwise incorporated by reference elsewhere in this annual report on Form 10-K, the Company's 1986 Annual Report to Stockholders is not to be deemed "filed" as part of this annual report.

The foregoing additional financial data and supporting schedules should be read in conjunction with the consolidated financial statements and notes thereto in the Company's 1986 Annual Report to Stockholders.

Schedules other than those listed above are omitted for the reason that they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Atlas Corporation

We have examined the consolidated financial statements and related schedules of Atlas Corporation and its subsidiaries listed in Items 14(a) (1) and (2) of the annual report on Form 10-K of Atlas Corporation for the year ended June 30, 1986. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Atlas Corporation and its subsidiaries as of June 30, 1986 and 1985, and the consolidated results of their operations and the changes in their financial position for each of the three years in the period ended June 30, 1986, in conformity with generally accepted accounting principles applied on a consistent basis. Further, it is our opinion that the schedules referred to above present fairly the information set forth therein in compliance with the applicable accounting regulations of the Securities and Exchange Commission.

ERNST & WHINNEY

New York, New York
August 22, 1986

ATLAS CORPORATION AND ITS SUBSIDIARIES
SCHEDULE II - AMOUNTS RECEIVABLE FROM RELATED PARTIES AND
UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES
for the years ended June 30, 1986, 1985 and 1984

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>		<u>Column E</u>	
<u>Name of Debtor</u>	<u>Balance at Beginning of Period</u>	<u>Additions</u>	<u>Deductions</u>		<u>Balance at end of period</u>	
			<u>Amounts Collected</u>	<u>Amounts Written off</u>	<u>Current</u>	<u>Not Current</u>
Year ended June 30, 1986:						
TAFGA	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Year ended June 30, 1985:						
TAFGA	<u>\$ 33,000</u>	<u>\$ -</u>	<u>\$ 33,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Year ended June 30, 1984:						
TAFGA	<u>\$ 117,000</u>	<u>\$ 82,000</u>	<u>\$ 166,000</u>	<u>\$ -</u>	<u>\$ 33,000</u>	<u>\$ -</u>

ATLAS CORPORATION AND ITS SUBSIDIARIES
SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
for the years ended June 30, 1986, 1985 and 1984

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>	<u>Column E</u>	<u>Column F</u>
<u>Classification</u>	<u>Balance at Beginning of Period</u>	<u>Additions at Cost</u>	<u>Retirements or Sales</u>	<u>Other Changes Add (Deduct)</u>	<u>Balance at End of Period</u>
Year ended June 30, 1986:					
Mining	\$ 59,653,000	\$ 4,233,000 (c)	\$ 44,000	\$ -	\$ 63,842,000
Milling	33,044,000	30,000	2,000	-	33,072,000
Manufacturing	10,714,000	347,000	485,000	-	10,576,000
	<u>\$103,411,000</u>	<u>\$ 4,610,000</u>	<u>\$ 531,000</u>	<u>\$ -</u>	<u>\$107,490,000</u>
Year ended June 30, 1985:					
Mining	\$ 65,379,000	\$ 4,410,000 (c)	\$ 9,622,000	\$ (514,000)	\$ 59,653,000
Milling	32,488,000	42,000	-	514,000	33,044,000
Manufacturing	11,345,000	322,000	994,000	41,000	10,714,000
	<u>\$109,212,000</u>	<u>\$ 4,774,000</u>	<u>\$10,616,000</u>	<u>\$ 41,000</u>	<u>\$103,411,000</u>
Year ended June 30, 1984:					
Mining	\$ 63,010,000	\$ 2,569,000 (a)	\$ 178,000	\$ (22,000)	\$ 65,379,000
Milling	32,376,000	147,000 (a)	57,000	22,000	32,488,000
Manufacturing	11,085,000	532,000 (b)	272,000	-	11,345,000
	<u>\$106,471,000</u>	<u>\$ 3,248,000</u>	<u>\$ 507,000</u>	<u>\$ -</u>	<u>\$109,212,000</u>

Notes:

- (a) Represents expansion of capacity of mining and milling operations.
- (b) Represents purchases of buildings, machinery and equipment.
- (c) Represents principally expenditures capitalized related to the Gold Bar gold mining property.

ATLAS CORPORATION AND ITS SUBSIDIARIES
SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION AND
AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
for the years ended June 30, 1986, 1985 and 1984

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>	<u>Column E</u>	<u>Column F</u>
<u>Classification</u>	<u>Balance at Beginning of Period</u>	<u>Additions Charged to Costs and Expenses</u>	<u>Retirements</u>	<u>Other Changes Add (Deduct)</u>	<u>Balance at End of Period</u>
Year ended June 30, 1986:					
Mining	\$ 33,755,000	\$ 49,000	\$ 15,000	\$ -	\$ 33,789,000
Milling	16,753,000	12,000	1,000	-	16,764,000
Manufacturing	5,549,000	637,000	476,000	(28,000)	5,682,000
	<u>\$ 56,057,000</u>	<u>\$ 698,000</u>	<u>\$ 492,000</u>	<u>\$ (28,000)</u>	<u>\$ 56,235,000</u>
Year ended June 30, 1985:					
Mining	\$ 40,909,000	\$ 46,000	\$ 7,200,000	\$ -	\$ 33,755,000
Milling	16,741,000	12,000	-	-	16,753,000
Manufacturing	5,599,000	736,000	786,000	-	5,549,000
	<u>\$ 63,249,000</u>	<u>\$ 794,000</u>	<u>\$ 7,986,000</u>	<u>\$ -</u>	<u>\$ 56,057,000</u>
Year ended June 30, 1984:					
Mining	\$ 38,762,000	\$2,302,000	\$ 134,000	\$ (21,000)	\$ 40,909,000
Milling	16,145,000	612,000	37,000	21,000	16,741,000
Manufacturing	5,140,000	710,000	258,000	7,000	5,599,000
	<u>\$ 60,047,000</u>	<u>\$3,624,000</u>	<u>\$ 429,000</u>	<u>\$ 7,000</u>	<u>\$ 63,249,000</u>

ATLAS CORPORATION AND ITS SUBSIDIARIES
SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
for the years ended June 30, 1986, 1985 and 1984

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>		<u>Column D</u>	<u>Column E</u>
<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Charged to Costs and Expenses</u>	<u>Charged to other Accounts</u>	<u>Deductions</u>	<u>Balance at End of Period</u>
Year ended June 30, 1986: Allowance for doubtful accounts	<u>\$ 992,000</u>	<u>\$ 363,000</u>	<u>\$ 145,000</u>	<u>\$ 226,000 (A)</u>	<u>\$1,274,000</u>
Year ended June 30, 1985: Allowance for doubtful accounts	<u>\$1,060,000</u>	<u>\$ 140,000</u>	<u>\$ 60,000</u>	<u>\$ 268,000 (A)</u>	<u>\$ 992,000</u>
Year ended June 30, 1984: Allowance for doubtful accounts	<u>\$ 768,000</u>	<u>\$ 261,000</u>	<u>\$ 234,000</u>	<u>\$ 203,000 (A)</u>	<u>\$1,060,000</u>

Note:

(A) Principally uncollectible accounts written off

ATLAS CORPORATION AND ITS SUBSIDIARIES
SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION
for the years ended June 30, 1986, 1985 and 1984

<u>Column A</u> <u>Item</u>	<u>Column B</u>
Year ended June 30, 1986:	
1. Maintenance and repairs	\$ 2,745,000 =====
2. Taxes, other than payroll and income taxes	\$ 632,000 (A) =====
Year ended June 30, 1985:	
1. Maintenance and repairs	\$ 3,573,000 =====
2. Taxes, other than payroll and income taxes	\$ 1,116,000 (B) =====
Year ended June 30, 1984	
1. Maintenance and repairs	\$ 3,340,000 =====
2. Taxes, other than payroll and income taxes	\$ 1,705,000 (C) =====

<u>Notes:</u>	<u>Note A</u>	<u>Note B</u>	<u>Note C</u>
Detail of taxes:			
Property and production taxes	\$595,000	\$1,005,000	\$1,556,000
Other taxes	<u>37,000</u>	<u>111,000</u>	<u>149,000</u>
	\$632,000 =====	\$1,116,000 =====	\$1,705,000 =====

Atlas Minerals
Division of Atlas Corporation

743 Horizon Court
Suite 105
Grand Junction, Colorado 81506
Telephone: (303) 241-2505

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DIVISION OF
OIL, GAS & MINING

February 13, 1986

Mr. Lowell P. Braxton
Administrator
Mineral Resource Development
and Reclamation Program
Division of Oil, Gas & Mining
3 Triad Center, Suite 350
355 West North Temple
Salt Lake City, Utah 84180

RE: 1985 Annual Operations and
Progress Reports

Dear Mr. Braxton:

Transmitted herewith are the Annual Operations and Progress Reports for
the following permitted mines:

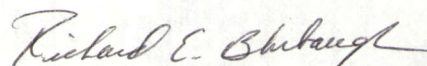
- | | |
|---------------------------------------|-------------------------------------|
| 1. Far West Mine - ACT/037/019 | 11. Standard #1 Mine - ACT/037/005 |
| 2. Calliham & Sage Mine - ACT/037/023 | 12. Standard #3 Mine - ACT/037/011 |
| 3. Windfall Mine - ACT/037/010 | 13. Velvet Mine - ACT/037/040 |
| 4. Locust Spider Mine - ACT/037/008 | 14. Ivy Mine - ACT/037/034 |
| 5. Radium King Mine - ACT/037/007 | 15. Snow Mine - ACT/015/013 |
| 6. Probe Mine - ACT/015/011 | 16. Happy Jack Mine - ACT/037/024 |
| 7. Cactus Rat Mine - ACT/019/009 | 17. Rim-Columbus Mine - ACT/037/006 |
| 8. Four Corners Mine - ACT/015/014 | 18. Wood Lease Mine - ACT/037/021 |
| 9. Louise Mine - ACT/037/013 | 19. Pandora Mine - ACT/037/012 |
| 10. Patti Ann Mine - ACT/037/003 | 20. Dunn Mine - ACT/037/017 |

We wish to reiterate our position that MR Form 3 is not appropriate for our
size and type of operations. Furthermore, the standby status of our operations
and the attendant reduction in available manpower has exacerbated our ability
to handle such unjustified and burdensome paperwork.

Further, we did not retain a draftsman; thus we are unable to provide the
requested maps. However, since there were no changes in 1985 your files should
contain updated maps for all mines.

Please contact me at your convenience should you have any questions.

Sincerely,



Richard E. Blubaugh
Regulatory Affairs Manager